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REPORT OF
THE COALITION OF SERVICE INDUSTRIES

COMPANY OPERATIONS IN DEVELOPING COUNTRIES

The Coalition of Service Industries, Inc. (CSI) is an organization of 17 major international companies representing a broad spectrum of service sectors. Since its formation in 1982, CSI has devoted much of its effort to promoting multilateral negotiations on services with the objective of achieving an agreement on rules governing trade and investment in services, and a reduction of existing barriers to services trade.

In 1988, the Coalition published a proposal for a multilateral agreement on trade in services, which was endorsed by the Business Roundtable and the U.S. Council for International Business. The proposal offered a detailed set of private sector recommendations to the U.S. government on the services trade agreement to be sought during the GATT Uruguay Round.

The study presented here offers a view of the operations and practices of member companies in developing economies, and demonstrates the applicability of the negotiating goals offered in our 1988 proposal.

The Coalition of Service Industries, Inc.
2001 M Street, N.W.
Washington, D.C. 20036

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COMPANY OPERATIONS IN
DEVELOPING COUNTRIES

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EXECUTIVE SUMMARY

The impact of multinational corporations on the economies of developing countries is an important issue underlying the negotiation of a multilateral services agreement in the Uruguay Round trade talks. Some developing country representatives contend that services trade and investment liberalization will work only to the advantage of the multinationals, bringing few real benefits to their national economies. Multinational service providers recognize that they stand to gain from a lowering of trade and investment barriers; they also maintain, however, that their business activities translate into significant contributions to the development process.

The Coalition of Service Industries, Inc. (CSI) strongly believes that multinational service companies are important agents of economic development and that the process of mutual gain among the companies and developing countries is enhanced by a freer flow of services trade and investment.

To demonstrate this point, CSI conducted a survey of its member companies' operations in developing countries to collect more systematic data on and examples of their contributions to development. The results are striking.

- In a sample of 15 developing countries, almost 45,000 jobs have been created by 10 companies alone.

- Ninety-nine percent of these jobs are held by nationals of the 15 countries; only one percent by expatriate employees.

- Eighty-three percent of the top management positions in these developing country operations are held by nationals.

This job creation represents a massive investment in human resource development and a permanent addition to local employee skills. These benefits stem from the experience gained in working for large international enterprises and from major commitments by every company to training.

- Employees receive an average of 59 hours of training per year (in those companies that were able to supply detailed training data).

- Two-thirds of the companies maintain special training facilities and/or research and development centers in developing countries.

Training is a principal means of transferring technology to developing countries, but other means are used as well.

- All respondent companies reported a diffusion of technology through their international operations, ranging from advanced point-of-sale computer systems to specialized methodologies for conducting audits and consulting engagements.

- All respondent companies also reported significant pro bono contributions of technology and training to educational, social and business organizations in developing countries.

The companies' operations in developing countries help build the infrastructure necessary for development through capital formation, communications systems, enhanced manufacturing systems, and international marketing programs. The introduction of new services frequently improves productivity and efficiency, and increases the quality and variety of services while reducing the costs to local users.

International company operations also improve the services export capacity and capabilities of developing countries. Examples of developing country exports promoted by the companies include computer systems design and software, advertising and tourism.

In sum, multinational service providers create jobs, develop human resources through training, transfer technology, help to build the necessary infrastructure for development, supply advanced services to local users and thereby improve their competitiveness, and increase developing country services exports. In doing so, they profit as well, as would be expected from any private enterprise. But their profitability does not detract from the very real contributions they make to economic development; in fact, it makes those contributions possible.

A multilateral agreement on trade and investment in services, based on open market access and nondiscrimination, will enhance the positive role multinational service providers play in the development process. It will help stabilize the trade and investment environment and thereby encourage additional investment and technology transfer. It will increase the quality, variety and cost effectiveness of services available within developing country markets. External competition will also stimulate innovation in the local service sector. At the same time, developing countries would be able to maintain their regulatory regimes of choice, absent discrimination against foreign service providers. Thus, the process of mutual gain by developing countries and multinational service companies is further extended.

REPORT OF THE COALITION OF SERVICE INDUSTRIES ON COMPANY OPERATIONS IN DEVELOPING COUNTRIES

The Coalition of Service Industries (CSI) undertook a two-month survey of its member companies' operations in developing countries to identify and quantify the scope of each company's operations in a variety of developing countries.

The survey examined in some detail the contributions of CSI member companies to employment, training, and technology transfer, and the tangential benefits a local economy realizes by the presence of a multinational enterprise.

The results provide a striking demonstration of the very positive role these multinational companies play in the host-country community, and their lasting contributions to education and development.

Participating in the survey were CSI members American Express Company, American International Group, AT&T, Arthur Andersen, Bechtel, Citicorp, Coopers & Lybrand, IBM, The Interpublic Group of Companies, KPMG Peat Marwick, Marsh & McLennan and NYNEX. These companies represent a broad spectrum of businesses, providing services in developing countries in accounting, advertising, tourism and travel related services, financial services including insurance and insurance brokering, engineering and construction, computer leasing and maintenance, basic international long-distance services, software products and services, and telecommunications.

Their operations provide significant employment opportunities for the local labor force, and extensive training and, in many cases, continuing education. This represents an investment in human resource development by the multinationals and a lasting addition to the pool of skilled labor.

As our survey reveals, CSI members advance economic development and export capacity by stimulating capital formation, encouraging foreign exchange savings and earnings, and expanding the tax base. By promoting the effective and efficient functioning of the economy, the infrastructure necessary to support advanced industries is encouraged and investment increases. Finally, a healthy service sector directly benefits industrial activity making possible more widespread and responsive manufacturing and efficient production.

The aggregate results of the survey appear in Appendix I and II.

Services are Building Blocks of Economic Development

With the total stock of knowledge doubling about every ten years, success in business today depends more on access to information than ever before. In many markets, multinational service companies are an important source of advanced technology and information.

While all service sectors are crucial to development, the global economy is tied together by telecommunications. Multinational telecommunications companies operating in developing-country markets provide both products and services, and help all market sectors operate more effectively and efficiently, encouraging the establishment of new local industries and aiding in the development of other services sectors.

Capital formation is another element basic to economic growth, and is achieved through a number of business activities. For example, multinational life insurance operations in a host country accumulate a long-term capital pool from small amounts of private savings. Capital formation lessens dependence on foreign capital, frees up other domestic capital, and can be used to supplement government funds by investing reserves and surplus in infrastructure projects.

Similarly, international banks provide capital (e.g. investment and loan financing) for developing country economies. Innovative funding instruments and corporate financial products provide an important link to global networks for financing imports and exports. Within the country, modernization of the banking system and development of local capital markets promote savings and contribute to capital formation.

Foreign exchange is a third critical ingredient in building an economic foundation. One direct source of foreign currency is tourism. International travel and tourism companies promote in-bound travel through their marketing and promotion networks, providing foreign currency and contributing significantly to the development of local service businesses.

In another area, multinational engineering and construction firms literally build a country's infrastructure creating greater efficiencies in the economy, increasing output per man-hour, enhancing the host-country's exports and expanding the local tax base.

Multinationals Provide Quality Employment

In developing markets, employment has become a central issue governing policies related to establishment and investment. If multinational corporations were to bring expatriate labor into host-country markets, the training and skills required of those employees would not be transferred to the local population. This would inhibit developing country goals such as upgrading human capital, development of indigenous technological capabilities and access to knowledge-based services.

The CSI survey demonstrates that overwhelmingly the jobs created by the operations of member companies in developing countries are held by nationals of those counties.

The survey specified fifteen countries (Argentina, Brazil, Egypt, Hong Kong, India, Indonesia, Korea, Malaysia, Mexico, Nigeria, The Philippines, Singapore, Taiwan, Thailand, and Venezuela) in which member companies were asked to give the number of individuals their operations employ and a breakdown of the employment figures into nationals and expatriates. The survey then asked that figures be provided identifying the number of top management positions, with a corresponding breakdown of national and expatriate employees holding those positions.

The ten companies responding to this section reported a total of 44,592 employees in the fifteen countries, of which 44,128 are nationals of the respective countries. In each country category, no country had more than 99 expatriates employed (Hong Kong), and one country (India) had just 4 expatriates in over 1200 employees.

In the fifteen countries, CSI companies identified 842 senior management positions in their operations, with 702 positions held by nationals of the countries. Eleven of the fifteen countries had fewer than 10 top positions held by expatriates.

These numbers represent significant opportunities for the local labor force, and a permanent addition to local employee skills. Those skills are fostered in each company by major commitments to training.

Company Investments in Education and Training

Much of the service sector consists of occupations requiring technical training, and cognitive and communications skills. Because the service sectors of developing countries are growing even faster than those of industrialized nations, the demand for higher skilled employees will continue to increase.

Multinational firms rely heavily on the technical, administrative, and managerial skills of foreign personnel to maintain company standards and contribute to innovations. For this reason, multinational companies have created extensive training operations to develop these skills and further employee education.

All companies responding to the survey indicated a strong commitment to training through local programs, developmental courses, fellowships and scholarships, regional and headquarters training centers, and support for outside academic and professional programs. Some professions require a minimum number of hours of training each year, and one company indicated a strong commitment to training its suppliers and customers, as well as its employees.

Five companies were able to provide data on the average training per year per employee by country. The average hours of training per year across the fifteen countries ranged from 26 to 103, with the average at 59.4 hours per year.

Eight companies maintain facilities in developing countries, designed specifically for research and development or training. One of the respondents has built an Advanced Systems Center in the Philippines, providing state-of-the art technology for computer systems development. This company also maintains a regional training center for accounting and related services in Mexico.

Another company established a regional training center in Indonesia for engineering and construction management, and another respondent maintains training facilities in Hong Kong and Singapore for information and telecommunications products and services.

An information center in the Ivory Coast was built by one of the respondent companies to aid African countries in maintaining a regional network for the exchange of news and data within the continent, and connecting to networks in Europe and the United States. The company provides the hardware for the facility and is responsible for training the local personnel.

One company initiated establishment of national institutes in Hong Kong, Taiwan and Thailand to stimulate professionalism and productivity of the local insurance industry. The same company established a Pacific Regional Education Center in Manila to upgrade insurance management techniques, especially for entry level managers.

Technology Transfer Two Ways

Intra-Company

Along with training, multinational companies maintain standards by sharing proprietary technology and information among global affiliates and foreign-based employees. These transfers take a variety of forms, from company newsletters to more formal programs.

The large international accounting firms share their proprietary technology with all local affiliated firms. Generally this technology takes the form of specialized software and printed binders detailing specific methodologies for conducting audits, tax reviews and management consulting engagements. Most technology transfers are accompanied by training.

An engineering and construction company has developed an extensive technology transfer program which entails export of technology to their internal operations in a host country. The technology is then passed along to the client, who provides training.

An insurance brokerage firm provides specialists on request to its developing-country affiliates to assist on individual product problems and projects, frequently working closely with national insurance companies of the host country.

International banking firms, which depend on advanced communications technology, train local employees to operate and maintain electronic mail systems, computer data banks, transaction systems and the related software necessary for performing global financial transactions.

Company to Country

Transfer of technology outside the company to other businesses is required in many service transactions as suppliers and customers frequently must have access to aspects of a particular business. Therefore, the presence of a multinational company in a host-country marketplace necessarily affects other businesses by sharing information and technology through a variety of means.

A computer manufacturing and service company, in partnership with host country universities and research institutes, provides professional expertise, computing resources, and training for programs on issues such as agriculture research, public health, disaster preparedness, and preservation of national culture.

In many developing countries, a multinational travel company provides advanced point-of-sale terminals to local merchants to enhance card authorization capabilities, thereby reducing fraud and related expenses for all merchants.

A large insurance company's data centers, located in Thailand, Chile, Indonesia, Nigeria, Malaysia, and the Dominican Republic are equipped with extensive hardware and related software services, some internally developed and others licensed and/or procured from local vendors.

New Services Aid Local Businesses

In the course of conducting business, multinational enterprises many times introduce new services to the local business community. These new services increase local market efficiencies in many cases and translate into real gains for local businesses. New services may include advanced communications products and services, financial and managerial services, improved accounting systems, or new transportation services.

In Argentina, for instance, the introduction of a variety of management information and related computer technology and services resulted in reduced operating costs and improved efficiency for manufacturing companies and banks.

In the Philippines, new technology developed for computer systems contributes to increased levels of technical skills within the country and earns foreign exchange by exporting systems development services via satellite and cable communications.

The installation of an electronic data interchange called "Trade Network" in Singapore improved the efficiency of the port.

The partnership of a U.S. telecommunications company and international rice research institute in the Philippines has provided advanced agricultural technology enabling Asian farmers to improve rice yields and production.

Technical assistance and advice given by a communications company in several developing countries enables the host country to offer enhanced telecommunications services they would not otherwise be able to provide, such as long distance 800 numbers.

A products liability package was developed by American underwriters and exporters to provide foreign exporters with the insurance required in the U.S. market.

In Chile, a program to manage privately a portion of the social security pension system allows citizens to choose from among several competing private pension fund management companies, improving the quality of benefits and increasing financial security.

Multinationals Provide Quality Employment

The operations of CSI member companies in developing-country markets have contributed to advances in corresponding local professions and business sectors.

In Thailand, a regional computing center was established to provide in-depth support for more than 3000 masters and doctoral theses at the Asian Institute of Technology. This center has also developed joint research projects in other Asian countries.

In an effort to improve local financial markets, an innovative training technique was developed to teach foreign currency trading skills through use of a computer simulation of global exchange markets.

In Malaysia, seminars have been organized and guides produced to improve management performance in restaurant and retail industries.

The "Juntos Podemos" program in Mexico was established in cooperation with local tourist establishments to promote less well-known regions of the country, to increase local community awareness of the benefits of tourism, and to train staff from local tourism and retail establishments.

Organization of the local insurance industry in Thailand, designed to maximize capacity and support infrastructure development, has included recruitment and training of a large force of part-time workers, enabling them to supplement their income.

The International Enterprise Foundation of Geneva was founded to transfer to small businesses in developing countries managerial technology in such fields as commercial farming and hotel management.

An international information network was created for Northern African countries to provide non-governmental organizations with data and information about financial resources, administrative procedures, and agricultural information and technology.

Export Promotion

One direct result of the economic activity created by multinational company operations in developing countries is increased exports. With the global reach of international service businesses, exports from host countries find a ready-made network for their outbound products and services, and the marketing and promotion services necessary to assist foreign sales.

Our survey found that frequently a developing country would serve as a central provider of a service to nearby countries.

For instance, computerized script software using diacriticised Arabic for computer applications is developed in Kuwait and exported to other Arab-speaking countries.

Advertising is developed in Brazil, Hong Kong, Malaysia, Mexico, Nigeria, Singapore, Taiwan and Thailand and exported to surrounding countries.

Specialized software used in computer systems designs for small banks is exported from Hong Kong to Indonesia, Korea, Malaysia, the Philippines, Singapore, Turkey, the United Kingdom, and the United States.

Developing country tourism services are exported through promotion of in-bound travel via a network of 1400 travel offices which offer wholesale and retail travel packages and country-specific market promotions.

A regional insurance data center in Hong Kong develops specialized software for export to data centers located in Thailand, Singapore, Malaysia and Indonesia.

Software development institutes in Mexico export technological expertise to other Latin American countries.

Multinationals Make Good Corporate Citizens

The presence of multinational companies has led to benefits for the broader host-country population, as well. Most companies participating in the survey indicated that their firms are active in each local community through participation in charitable, educational and other non-profit organizations.

One company operating in Argentina provides 41 of its employees to serve as instructors in departments of economic sciences and engineering at leading universities there.

Another has established a computer literacy program at Hong Kong urban council libraries. Still another has donated computers to two universities in India.

Other respondents have underwritten the cost of a new school room for the Organization for Rehabilitation Through Work in Argentina, and built new classrooms at local universities in Chile.

Finally, one company requires all partners in all of its member firms worldwide to contribute a share of their earnings to educational, charitable and civic organizations, and has provided matching grants for all contributions made by employees to higher education.

Enhanced Services Trade Through GATT Talks

The positive role multinational service companies play in advancing development can be enhanced through open markets and a move away from regulations which restrict operations in developing countries. A multilateral agreement eliminating current and future restrictions on services trade would help stabilize the trade and investment environment and encourage additional investment and technology transfer.

Discussion among some trade ministers at the GATT regarding the relationship between developing-country objectives and multinational corporations has focused on the possible imposition of requirements for transferring technology, and regulatory regimes to curb company activity. This discussion has implied that to the extent a multilateral agreement benefits international service companies, it is inimical to the interests of developing countries.

The results of CSI's survey support an opposite conclusion. The significant contributions to development made by CSI companies can only be enhanced by lowering trade and investment barriers. Policies which impede the development of the service sector can impede performance of the economy as a whole.

Another point of disagreement between some negotiators is that trade and investment liberalization is in conflict with service industry regulations intended to achieve a variety of

national goals. However, a fundamental objective of the current negotiations is national treatment, which would require signatories to an agreement to treat foreign service providers no less favorably than domestic service providers. This does not mean signatories to the agreement must overthrow their entire regulatory systems or even change regulations intended to promote consumer health and safety, protect financial soundness of institutions, encourage rural development or achieve a variety of other national objectives. Adherence to a national treatment principle would entail a change in host-country regulatory systems only insofar as regulations discriminate against foreign service providers. The burden of regulation may influence individual company decisions to enter specific developing country markets, but the right of these countries to regulate is not in question.

Conclusions

This examination of CSI member operations in developing countries has produced some hard evidence of the breadth of company contributions to the development process.

Multinational service providers create a significant number of jobs, overwhelmingly occupied by nationals of the host country. The companies surveyed develop human resources through extensive and sophisticated training programs, and transfer technology to both their foreign-based company employees and the communities in which they operate. These factors help build the necessary infrastructure for development by supplying advanced services to local users and improving local competitiveness. In turn, competition stimulates innovation in developing-country service sectors.

In addition, the economic activity created by multinational corporations increases developing country service exports, raising valuable foreign currency crucial to developing economies.

The process of mutual gain by developing countries and multinational service companies can be significantly enhanced by lowering barriers to trade in services and by creating a business environment that welcomes multinational service enterprises.

APPENDIX

Appendix I

The Coalition of Service Industries conducted a survey of its member companies to better identify the contributions they make to the economic development of developing countries.

The survey was conducted over a two-month period from November 1988 to January 1989, and sought to identify and quantify the scope of each company's operations in a variety of developing countries, and to examine the effect of that company's presence on the local economy. The survey did not seek to measure the dollar value of the company's business in the host country, relative wage scales, or the value of its operation to the worldwide company.

Twelve of the seventeen CSI member companies completed all or part of the survey. Member companies were asked to respond to twelve questions by providing both statistical and anecdotal information regarding their employees, management and general operations in developing countries. The results follow and provide the profile that appears in Appendix I.

Appendix II

In December 1988, CSI invited members of the services Industry Sector Advisory Committee (ISAC-13) to the U.S. government to participate in the survey and provide the same information requested of CSI member companies .

Four ISAC-13 members completed all or part of the survey, providing data on their operations in developing countries. Although statistical and anecdotal information covered a broad spectrum, the results are consistent with those found in Appendix I. A profile of the ISAC member responses is found in Appendix II.

APPENDIX I

SUMMARY RESULTS

CSI MEMBER RESPONSES TO SURVEY ON INTERNATIONAL SERVICE COMPANY CONTRIBUTIONS TO ECONOMIC DEVELOPMENT IN DEVELOPING COUNTRIES

1. Respondent Companies

The following CSI member companies responded to the survey:

American Express Company
American International Group, Inc.
American Telephone and Telegraph Corporation
Arthur Andersen & Co., S.C.
Bechtel Group, Inc.
Citicorp/Citibank,
Coopers & Lybrand
International Business Machines Corporation
The Interpublic Group of Companies
Klynveld Peat Marwick Goerdler (KPMG)
Marsh & McLennan, Inc.
NYNEX Corporation

2. Services Provided by Respondent Companies

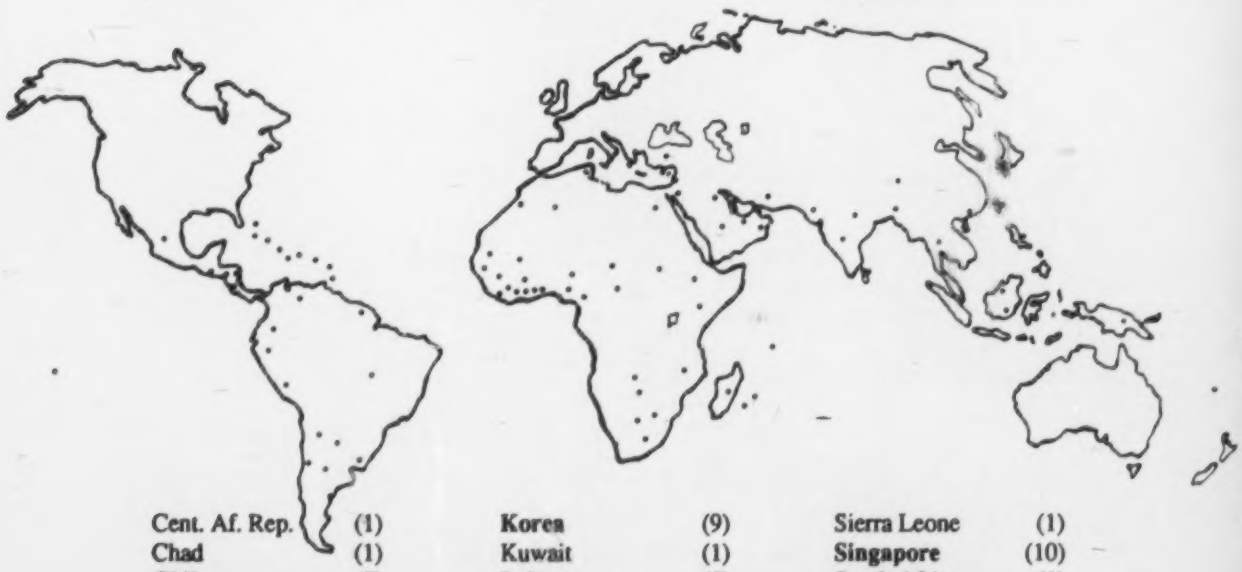
The respondent companies provide services in developing countries in the following fields:

Accounting and Audit
Advertising and Marketing
Basic International Long Distance Services and Custom Services
Computer Leasing and Maintenance
Data and Telephone Communications Equipment
Engineering, Construction, Procurement, Management and Financing Services
Financial Services (including Commercial, Consumer and Investment Banking)
Insurance and Reinsurance
Insurance Brokering and Consulting
Management Consulting
Software Products, Systems and Services
Tax and Consulting Services
Telecommunications
Tourism and Travel-Related Services

3. Developing Countries in Which Respondent Companies Operate

One or more of the twelve respondent companies have operations in the following ninety-one developing countries. The number in brackets indicates the number of respondent companies with operations in that country. Countries with more than five respondents are indicated by bold type.

Algeria	(2)	Guatemala	(4)	Oman	(2)
Argentina	(9)	Guinea	(1)	**Pakistan**	(5)
Bahrain	(4)	Guyana	(1)	**Panama**	(6)
Bangladesh	(3)	Honduras	(4)	Papua N.G.	(2)
Benin	(1)	**Hong Kong**	(10)	Paraguay	(2)
Bolivia	(2)	**India**	(8)	**Peru**	(6)
Botswana	(1)	**Indonesia**	(8)	**Philippines**	(8)
Brazil	(11)	Iran	(1)	Qatar	(1)
Brunei	(2)	Iraq	(2)	Reunion	(1)
Burkina Faso	(1)	**Ivory Coast**	(6)	**Saudi Arabia**	(5)
Burma	(1)	**Jordan**	(6)	Senegal	(2)
Cameroon	(2)	**Kenya**	(5)	Seychelles	(2)

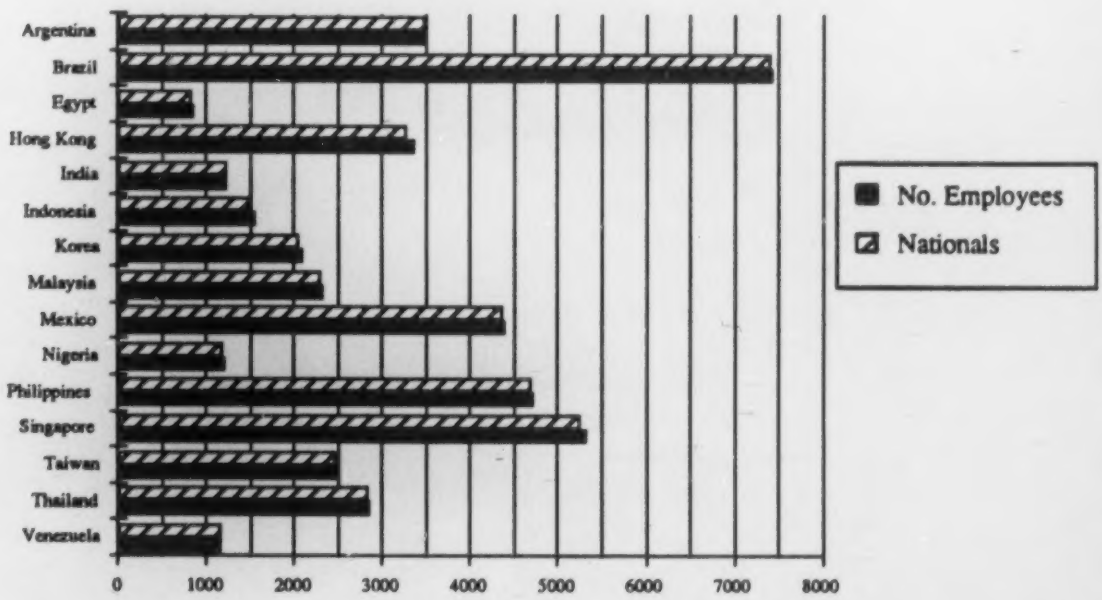


Cent. Af. Rep.	(1)	**Korea**	(9)	Sierra Leone	(1)
Chad	(1)	Kuwait	(1)	**Singapore**	(10)
Chile	(7)	**Lebanon**	(5)	South Africa	(1)
China	(8)	Liberia	(1)	Sri Lanka	(4)
Colombia	(8)	Macao	(2)	Suriname	(1)
Cook Islands	(1)	Madagascar	(1)	Sudan	(2)
Costa Rica	(3)	Malawi	(1)	**Taiwan**	(9)
Cyprus	(2)	**Malaysia**	(11)	**Thailand**	(8)
Dubai	(1)	Mali	(1)	Togo	(1)
Ecuador	(4)	Mauritania	(1)	Tunisia	(2)
Egypt	(8)	Mauritius	(2)	Turkey	(2)
El Salvador	(3)	**Mexico**	(9)	**UAE**	(5)
Ethiopia	(1)	Morocco	(3)	Uruguay	(4)
Fiji	(2)	Nepal	(1)	Vanuatu	(1)
Gabon	(3)	Nicaragua	(1)	**Venezuela**	(8)
Gambia	(2)	New Caledonia	(1)	**West Indies**	(7)
Ghana	(2)	Niger	(2)	Zaire	(4)
Guadeloupe	(2)	**Nigeria**	(7)	Zambia	(4)
				Zimbabwe	(3)

4. Employment

The ten companies responding to this section collectively employ 44,592 people in the fifteen countries listed. Of those employees, at least 44,128 or 99 percent are nationals of the countries. Not every company responded in each country category.

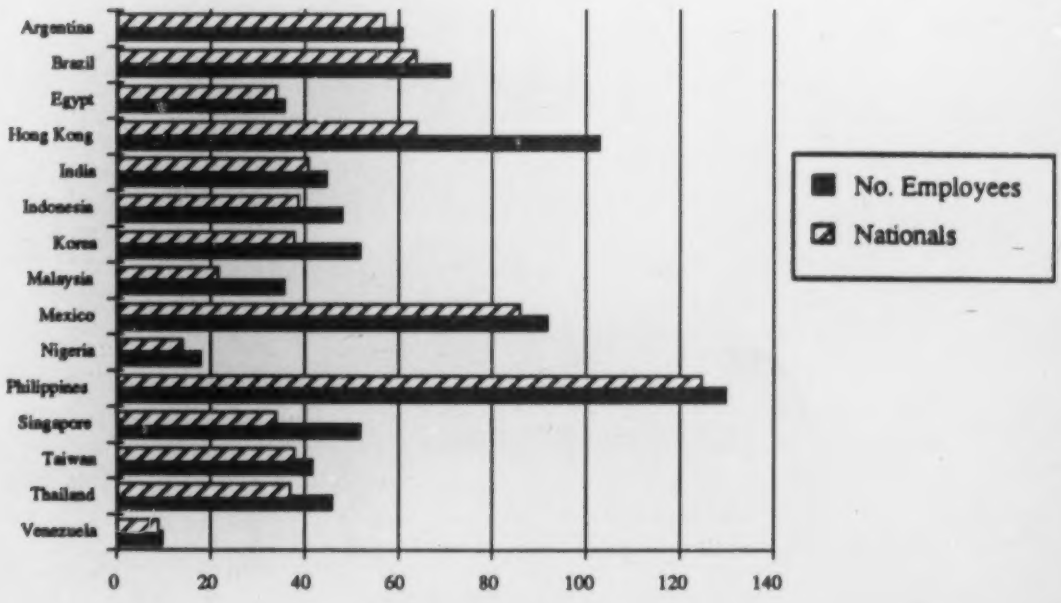
Country	No. of Employees	Nationals	Nationals as Percent of Total
Argentina	3509	3500	99.7
Brazil	7447	7422	99.7
Egypt	872	834	95.6
Hong Kong	3377	3278	97.1
India	1234	1230	99.7
Indonesia	1563	1516	97.0
Korea	2084	2053	98.5
Malaysia	2322	2310	99.5
Mexico	4407	4378	99.3
Nigeria	1207	1199	99.3
Philippines	4716	4705	99.8
Singapore	5334	5250	98.4
Taiwan	2495	2457	98.5
Thailand	2862	2843	99.3
Venezuela	1163	1153	99.1
Total	44,592	44,128	99.0



5. Management

The ten companies responding to this section collectively identified 842 top management positions in their operations in the fifteen countries listed. Of these management positions, 702 or 83.4 percent are held by nationals of the countries. Not every company responded in each country category.

Country	No. of Employees	Nationals	Nationals as Percent of Total
Argentina	61	57	93.4
Brazil	71	64	90.1
Egypt	36	34	94.4
Hong Kong	103	64	62.1
India	45	41	91.1
Indonesia	48	39	81.3
Korea	52	38	73.1
Malaysia	36	22	61.1
Mexico	92	86	93.5
Nigeria	18	14	77.8
Philippines	130	125	96.2
Singapore	52	34	65.4
Taiwan	42	38	90.5
Thailand	46	37	80.4
Venezuela	10	9	90.0
Total	842	702	83.4



6. Training

All respondent companies indicated that they make extensive commitments to training employees in developing countries through local training programs, at regional or headquarters training centers, or through support for outside academic and professional education programs.

Of the respondent companies, five were able to provide estimates on a by-country basis of the average amount of training per year per employee. Not all five companies responded in each country category.

The average hours of training per employee ranged from 26 to 103, with the average at 59.4 hours per employee per year.

Training and Research & Development Facilities

Eight of the respondent companies maintain special training or research and development facilities in developing countries, including Hong Kong, Indonesia, Ivory Coast, Mexico, Philippines, Singapore, South Korea, Taiwan, and Thailand. The programs or facilities provided by these companies are illustrated in the following examples.

A specialized curriculum was designed under the Academy of Finance program to provide instruction in accounting, finance and related fields at the secondary school level in Singapore.

National institutes for life insurance management, insurance advisory and professional associations have been established in Hong Kong, Taiwan and Thailand, which now serve to stimulate professionalism, productivity and credibility of the local industry.

Regional training facilities in Indonesia help nationals develop engineering and construction management skills.

A regional training facility for accounting and related services is operated in Mexico.

Regional training facilities located in Singapore and Sao Paulo teach banking and financial services management skills to local employees.

In the Philippines, the Institute of Advanced Computer Technology training facility is maintained, as is a state-of-the-art facility for accounting and audit computer systems development.

Product and systems training facilities are operated in Hong Kong and Singapore for information and telecommunications products and services.

An information center in the Ivory Coast was created to maintain a regional network for the exchange of data and news within the region, and connects to networks in the U.S. and Europe. Hardware and training for the facility are provided, as well.

South Korea's software engineering capabilities were enhanced by creation of a Systems Engineering Center that provides education and training for engineers and other professionals.

A Pacific Regional Education Center was established in Manila for entry-level managers to upgrade insurance management techniques in supervisory skill development and technical capability.

Other Contributions to Development

The CSI Survey sought information on other contributions companies make to the development process. A representative sample of responses in specific areas is provided below.

7. Macroeconomic Contributions

CSI companies were asked what contributions their firm's operations make in a developing country that help the local economy function more effectively and efficiently. Eleven respondents provided examples, several of which are illustrated below.

Insurance: Life insurance operations accumulate a long-term capital pool in the host country from small amounts of private savings. Capital formation lessens dependence on foreign capital and frees up other domestic capital. Such operations also supplement state funds by investing reserves and surplus in government and commercial bonds, infrastructure projects, export ventures, mortgage and commercial loans and real estate.

Banking: International banks provide capital (e.g., loan financing and other investments) for developing country economies. Innovative funding instruments and corporate financial products contribute capital and provide a link to global networks for financing exports and imports. Modernization of the banking system and development of local capital markets promote savings and contribute to capital formation.

Engineering and Construction: Advanced systems in this field generally build a country's infrastructure which creates greater efficiencies in the economy as a whole and increases output per man-hour. Specific projects have significantly increased exports and expanded the tax base in several developing countries.

Telecommunications: In addition to operations such as the manufacture of telephones, transformers, conductors, relays, and fiber-optic cable, telecommunications companies provide a basic infrastructure available to every industry. As such, the introduction of any new communications technology helps all economic sectors operate more effectively and efficiently, encourages the establishment of new industries, and aids in the development of services such as banking, insurance, airborne communications, and government activities.

Tourism: Companies providing travel and tourism services promote in-bound travel to the host country through marketing and promotion of travel packages, and contribute significantly to the development of local services and payments systems infrastructure facilitating travel and foreign spending within the country.

Accounting: Member firms of the worldwide organization assist companies in "going international" by being able to assure high quality services abroad, linking together the clients' international business operations and assisting them in becoming globally competitive. In addition, application of worldwide standards in quality and quality control of accounting and audit services contributes to a higher level of financial reporting, thereby helping the capital formation process by giving investors an independent opinion on the financial statements of companies in which they may invest.

8. Technology Transfer

In addition to training, technology transfer is accomplished in a variety of ways. Eleven CSI companies provided examples of how technology is shared with the host country. Several of those illustrations are provided below.

Advanced point-of-sale terminals made available by a U.S. travel company provide local merchants in many developing countries with a technology that significantly enhances card authorization capabilities, reducing fraud and related expenses for all merchants.

An American computer manufacturing and service company, in partnership with host country universities and research institutes, provides professional expertise, computing resources and training for programs on issues such as agriculture research, public health, disaster preparedness, and preservation of national culture. The company's scientific centers in Cairo, Kuwait, Caracas, Mexico City, and Rio de Janeiro are staffed by Ph.D.'s of national origin. In cooperation with national institutions, these scientific centers are fully dedicated to development and transfer of software applications.

An international accounting firm shares proprietary technology among all local affiliated firms. Generally, this technology takes the form of (1) specialized software for accounting systems and audits, operations reviews, tax analysis and computerized systems analysis and integration, and (2) printed binders detailing specific methodologies for conducting audits, tax reviews and management consulting engagements. Most technology transfers are accompanied by training.

A U.S. engineering and construction company has developed an extensive technology transfer program which entails export of technology to their internal operations in a host country. The technology is then passed along to the client, who provides training. The program's objective is to use local resource capability as much as possible.

An international bank shares advanced communications technology such as electronic mail systems, computer data banks, transaction systems, and Automated Teller Machines (where permitted) with host countries.

A U.S. insurance company's data centers, located in Thailand, Chile, Indonesia, Nigeria, Malaysia, and the Dominican Republic, are equipped with extensive hardware and related software services, some internally developed, and others licensed and/or procured from local vendors. In Brazil, the company's introduction of mainframe and microcomputers has automated issuance of automobile insurance policies and endorsements, billings, life insurance ratings, medical insurance and claims programs.

An American insurance brokerage firm provides specialists on request to developing countries to assist its affiliates and subsidiaries on individual product problems and projects, in many cases working closely with national insurance companies of the host country.

9. Services Exports

The companies surveyed were asked if their firm's operations in developing countries export services to other countries. Nine responded affirmatively, noting examples of the type and volume of exports. Several of those illustrations follow.

Specialized software used in computer systems designs for small banks is exported from Hong Kong to Indonesia, Korea, Malaysia, the Philippines, Singapore, Turkey, the U.K. and the United States.

Advertising is developed in Brazil, Hong Kong, Malaysia, Mexico, Nigeria, Singapore, Taiwan and Thailand and exported to surrounding countries.

Developing country tourism services are exported through promotion of in-bound travel via a network of 1400 travel offices which offer wholesale and retail travel packages, and country-specific market promotions.

A regional insurance data center in Hong Kong develops specialized software for data centers located in Thailand, Singapore, Malaysia and Indonesia.

A software company in India develops and exports computer software worldwide.

Project planning and development, and financial advisory and training services for the World Bank and other IFI-financed projects are exported from the Philippines to a number of Asian and African countries.

Software development institutes in Mexico export technological expertise to other Latin American countries.

Computerized script software using diacriticised Arabic for computer applications is developed in Kuwait and exported to other Arab-speaking countries.

10. Introduction of New Services

The companies surveyed were asked if the introduction of a new service by the firm's operations in developing countries had especially beneficial effects on the local economy or consumers. Nine responded to this section. Following are some examples.

In many developing countries, the introduction of modern cost containment procedures broadens the availability of health care services, and reduces costs to public providers and governments.

In Argentina, the introduction of a variety of management information and related computer technology and services resulted in the reduction of operating costs and improved efficiency for manufacturing companies and banks.

In the Philippines, new technology developed for computer systems contributes to increased levels of technical skills within the country and earns foreign exchange by exporting systems development services via satellite and cable communications.

Consolidation of Taiwan's commuter and long-distance rail services into one downtown location freed 32 acres of scarce downtown land and relieved congestion.

The installation of an electronic data interchange called "Trade Network" in Singapore improved the efficiency of the port.

The partnership of a U.S. telecommunications company and international rice research institute has provided advanced agricultural technology in the Philippines, enabling Asian farmers to improve rice yields and production.

Technical assistance and advice given in several developing countries enable them to offer enhanced telecommunications services they would not otherwise be able to provide, such as long distance 800 numbers and Dial 900 service.

A products liability package was developed by American underwriters and exporters to provide foreign exporters with the insurance required in the U.S. marketplace.

Recently, the first internationally useable charge card denominated in local currency was introduced in Taiwan.

In Chile, a program to manage privately a portion of the social security pension system allows citizens to choose from among several competing private pension fund management companies, improving the quality of benefits and increasing financial security.

A new medical diagnostic center established in Jamaica is the first of its kind in the country.

A U.S. insurance firm assisted Indonesia in its efforts to issue custom bonds for imports and exports, modernizing the port's procedures and improving productivity in the marine cargo industry.

Upgrading consumer marketing expertise in developing countries helps stimulate local economies.

II. Professions and Business Sectors

The survey asked companies if the presence of their firm's operation in developing countries made specific contributions to improving the local profession or business sector. Eleven completed this section, and following are examples of their responses.

Professional standards have improved since establishment of training programs for Chinese accountants.

In the Philippines, continuing education programs for auditors are sponsored which include contributions of training materials and instructors' time.

Local professionals in Latin America receive training in the fields of accounting, auditing, tax and management consulting services.

A training program has been instituted for recent graduates in Indonesia to develop managerial and insurance underwriting talent.

The presence of telecommunications products and services has lead to the development of more efficient systems for international banking and investment.

A computer simulation of global foreign exchange markets has been developed to teach necessary skills to currency traders.

An international information network was created for northern African countries to provide non-governmental organizations with data and information about financial resources, administrative procedures, agricultural information and technology.

In Thailand, a regional computing center was established to provide in-depth support for more than 3000 masters and doctoral theses at the Asian Institute of Technology. This center has also developed joint research projects in 20 other Asian countries.

The International Enterprise Foundation of Geneva was founded to transfer to small businesses in developing countries managerial technology in such fields as commercial farming and hotel management.

Seminars and guides have been organized in Malaysia to improve management performance in the restaurant and retail industries.

A "Guide to Singapore" was produced with information on shopping and dining to support local tourist and retail establishments.

The "Juntos Podemos" program in Mexico was organized in cooperation with local tourist establishments to promote less well-known regions of the country, to increase the local communities' awareness of the benefits of tourism, and to train staff from local tourism and retail establishments.

Organization of the local insurance industry in Thailand to maximize capacity and support infrastructure development has included recruitment and training of a large force of part-time workers enabling them to supplement their income.

In India, a dynamic pipeline simulation program was developed for the Haziria-Bijaipur Jagdishpur pipeline, which will carry processed and treated natural gas more than 1000 miles across four Indian states. The dynamic program is continually updated to simulate actual conditions, and is now being used to train operators in India.

12. Educational and Charitable Contributions

CSI companies were asked if their operations in developing countries make contributions to local educational and charitable organizations. The eight companies responding to this section indicated that their firms are active participants in each local community through participation in charitable, educational and other non-profit organizations. CSI member companies have:

Underwritten the cost of a new schoolroom for the Organization for Rehabilitation through Work in Argentina.

Contributed to the Rio Disaster Organization, which focuses on emergency and general assistance.

Funded an epigraphic survey of Luxor, Egypt.

Donated computers to two universities in India.

Made substantial contributions to disaster relief following the Mexico City earthquake.

Funded the Centennial Celebration of the Singapore National Museum.

Financed the construction of new classrooms at local universities in Chile, and sponsored numerous scholarships for local students to attend Chilean universities.

Provided scholarships and awards for attending the University of the West Indies in Trinidad.

Provided scholarships for doctors, nurses and dentists in Thailand to help provide adequate medical care in rural areas.

Provided 41 employees in Argentina to serve as instructors in the departments of economic sciences and engineering at leading universities.

Sponsored a two-week auditing seminar for accounting majors at the University of the Philippines each summer.

Made contributions to the National University of Singapore, Nanyang Technological Institute, the Community Chest, Children's Charities Association, the Singapore Cancer Society, and the Singapore Symphony, and contributed audit services to a variety of charitable operations in Singapore.

Established a scholarship fund for engineering and science students at the American University in Cairo.

Established a computer literacy program at Hong Kong urban council libraries.

Donated funds to assist the construction of 250 wells in remote districts in the Philippines.

Established a post-doctoral fellowship program in Korea to support eleven scientists who conducted advanced research.

Provided computer hardware, software, technical support and research funds in several developing countries to assist the development of university computer networks.

Required all partners in all of a company's member firms globally to contribute a share of their earnings to educational, charitable and civic organizations, and provided matching grants for all contributions made by employees to higher education.

APPENDIX II

SUMMARY RESULTS

ISAC MEMBER RESPONSES TO CSI SURVEY ON INTERNATIONAL SERVICE COMPANY CONTRIBUTIONS TO ECONOMIC DEVELOPMENT IN DEVELOPING COUNTRIES

1. Respondent Companies

The following members of the services Industry Sector Advisory Committee (ISAC) to the U.S. government provided respondes to the CSI survey:

Bank of America NT&SA
Dean Witter Reynolds
Louis Berger International, Inc.
Motion Picture Export Association of America, Inc.

2. Services Provided by ISAC Respondents

The respondents provide services in developing countries in the following fields:

Commercial and Investment Banking
Foreign Exchange and Money Trading
Corporate Finance
Stocks, Bonds and CommoditiesTrading
Civil Engineering
Agriculture, Transportation and Environmental Economic Planning
Licensing, Marketing and Distribution of Motion Picture, Television and other Entertainment Programs

3. Developing Countries in Which Respondent Companies Operate

One or more of the ISAC respondents have operations in the following seventy-nine developing countries.

Angola
Algeria
Argentina
Bangladesh
Benin
Bolivia
Botswana
Brazil
Burkina Faso
Burma
Burundi
Cameroon
Cent. Af. Rep.
Chad
Chile
China
Congo
Costa Rica
Ecuador
Egypt
El Salvador
Ethiopia
Gabon
Gambia
Ghana
Guatemala
Guinea
Guyana
Honduras
Hong Kong
India
Indonesia
Ivory Coast
Jordan
Kenya
Korea
Kuwait
Lebanon
Liberia
Lesotho
Madagascar
Malawi
Malaysia
Mali
Malta
Mexico
Morocco
Mozamibque
Nepal
Niger
Nigeria
Oman
Pakistan
Panama
Peru
Philippines
Rwanda
Saudi Arabia
Senegal
Sierra Leone
Singapore
Somalia
Sri Lanka
Sudan
Swaziland
Taiwan
Tanzania
Thailand
Togo
Tunisia
Turkey
UAE
Uganda
Uruguay
Venezuela
West Indies
Zaire
Zambia
Zimbabwe

4. Employment

The three companies responding to this section collectively employ 3,579 people in the fifteen countries listed. Of those employees, at least 3,462 or 96.7 percent are nationals of the countries. Not every company responded in each category.

Country	No. of Employees	Nationals	Nationals as Percent of Total
Argentina	423	423	100.0
Brazil	157	156	99.4
Egypt	78	76	97.4
Hong Kong	677	645	95.3
India	381	376	99.7
Indonesia	218	199	91.3
Korea	215	207	96.3
Malaysia	128	128	100.0
Mexico	77	71	92.2
Nigeria	83	80	96.4
Philippines	260	250	96.2
Singapore	364	357	98.1
Taiwan	274	261	95.3
Thailand	184	175	95.1
Venezuela	60	58	96.7
Total	3,579	3,462	96.7

5. Management

The three companies responding to this section collectively identified 68 top management positions in their operations in the fifteen countries listed. Of these management positions, 37 or 54.4 percent are held by nationals of the countries. Not every company responded in each country category.

Country	No. of Employees	Nationals	Nationals as Percent of Total
Argentina	2	1	50.0
Brazil	2	2	100.0
Egypt	2	1	50.0
Hong Kong	6	4	66.6
India	6	2	33.3
Indonesia	6	3	50.0
Korea	10	6	60.0
Malaysia	2	1	50.0
Mexico	3	1	33.3
Nigeria	5	4	80.0
Philippines	4	0	0.0
Singapore	5	3	60.0
Taiwan	3	1	33.3
Thailand	9	5	55.5
Venezuela	3	3	100.0
Total	68	37	54.4

6. Training

Three of the respondent companies indicated that they provide training for employees in developing countries through local training programs, or at regional headquarters training centers.

Of the three respondent companies able to provide estimates on a by-country basis, the average training per year per employee ranged from 16 to 34 hours, with the average at 24 hours per employee per year. Not all responded in each country category.

Other Contributions to Development

The CSI Survey sought information on the other contributions companies make to the development process. A representative sample of responses in specific areas is provided below.

7. Macroeconomic Contributions

Companies were asked what contributions their operations make in a developing country to help the local economy function more effectively and efficiently. All four respondents provided examples, which are illustrated below.

Banking: Commercial banks supply capital needed for economic development through investment and loan financing. The banks provide local currency banking services that promote savings and contribute to capital formation in the host country, they assist with trade financing and provide banking facilities to central banks and local commercial banks.

Civil Engineering/Economic Planning: Systems developed in this area have increased agricultural productivity in some developing countries, creating greater economic efficiency, and improved quality of life. Likewise, improvement in transportation systems promotes economic efficiency, provides a means to expand the tax base, and builds a country's infrastructure through capital projects.

Entertainment: Licensing, marketing and distribution of motion picture, television and other entertainment products generates revenues which are shared directly with local exhibitors and distributors. This capital expands the local tax base through payment of salaries, value added and sales taxes, and supports local service enterprises such as advertising, subtitling and dubbing laboratories, and film copying and printing laboratories.

Investment Services: Corporate financial services and trading in stocks and bonds promotes the free flow of capital and encourages investment in developing country economies. A stable investment environment promotes the growth and development that fosters transfer of technology.

8. Technology Transfer

In addition to training, technology transfer is accomplished in a variety of ways. Respondents gave the following examples of how technology is shared with the host country.

A consulting firm provides and installs computer programs to support projects in the host country.

A commercial bank supplies both the hardware and software for its backroom operations abroad, trains local employees to maintain and run the system, and commissions local software development for in-house use.

Entertainment programming services such as subtitling, dubbing and duplication have been enhanced in developing countries through cooperation with worldwide distribution networks.

Communication technology necessary to support a commercial bank's global network is shared with host countries.

9. Services Exports

The ISAC members surveyed were asked if their firm's operations in developing countries export services to other countries. The companies responding affirmatively noted the following examples.

Engineering services provided by operations in the Ivory Coast are exported to Benin, Togo and Mali; similarly, engineering services developed in Thailand and Korea are exported to Bangladesh.

Financial service operations located in Singapore and Hong Kong transact investments in Tokyo, South Korea and Thailand.

Theatrical distribution operations located in Panama serve most of Central America, and a distribution center in Lebanon exports entertainment programming to several surrounding territories including Aden, Bahrain, Cyprus, Ethiopia, Iraq, Jordan, Kuwait, Libya, Oman and Sudan.

Environmental and economic planning services are exported from Kenya to Uganda and Somalia.

10. Introduction of New Services

The companies surveyed were asked if the introduction of a new service by the firm's operations in developing countries had especially beneficial effects on the local economy or consumers. Following are some examples.

The introduction and distribution of pre-recorded video cassettes has supplied thousands of developing country entrepreneurs who have opened retail outlets for the sale or rental of these and related products.

In Korea, state-of-the-art Computer Assisted Drafting and Design (CADD) systems were introduced.

11. Professions and Business Sectors

The survey asked companies if the presence of their firm's operation in developing countries made specific contributions to improving the local profession or business sectors, and following are examples of their responses.

In Hong Kong and Singapore a financial services firm provided advice and assistance that helped local stock traders and financial advisors comply with internationally accepted standards and procedures.

Recruitment and training efforts in developing countries have contributed to the professional development of bankers and finance specialists.

Local engineering societies and organizations have been encouraged and development of engineers supported in Argentina, the Ivory Coast, Thailand, Indonesia and Korea.

12. Educational and Charitable Contributions

Companies surveyed were asked if their operations in developing countries make contributions to local educational and charitable organizations. Respondents to this section indicated that their firms are active participants in local communities through support for charitable, educational and other non-profit organizations. This support takes the following forms:

Receipts from a benefit film exhibition were donated to aid earthquake victims in Mexico.

Contributions are made to support the Asian Institute of Technology in Thailand.

Donations are made to umbrella organizations for support of local charities in many developing countries.

In Hong Kong, Venezuela and Singapore funds are provided for scholarships and educational programs at local universities.

Endowments are made to support developing-country fine arts programs.

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